

UAC INSURANCE MUTUAL

Board of Trustees Meeting

Friday, February 26, 1999, 9:30 a.m.

Utah Association of Counties Offices

A G E N D A

9:30	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of January 22, January 27 and February 8 Minutes	Gary Herbert
	Decision on Claims Audit	Brett Rich
	April Membership Meeting Agenda	Brett Rich
	Policy on Repayment of Debentures	Brett Rich
	Loss Control Managers Report	Shawn Guzman
	Risk Management Program Revisions	Shawn Guzman
	Broker Report	Rich Stokluska
	Director's Report	Brett Rich
11:30	Lunch	
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
	Summary of Financial Statements	Brett Rich
	Other Business	Gary Herbert
1:30	Adjourn	

UACIM BOARD OF TRUSTEES MEETING MINUTES

February 26, 1999, 9:30 a.m.
Utah Association of Counties Offices

BOARD MEMBERS PRESENT

Gary Herbert, *President*, Utah County Commissioner
Jerry Hess, *Vice President*, Davis County Deputy Attorney
Tony Dearden, Millard County Commissioner
Tex Olsen, Sevier County Commissioner
Kent Petersen, Emery County Commissioner
Ed Phillips, Millard County Sheriff
Sarah Ann Skanchy, Cache County Council Member
Kent Sundberg, Utah County Deputy Attorney

BOARD MEMBERS ABSENT

Dannie McConkie, *Secretary-Treasurer*, Davis County Commissioner
Royal Norman, Box Elder County Commissioner
Chad Johnson, Beaver County Commissioner

OTHERS PRESENT

Brett Rich, Director, UACIM
Shawn Guzman, UACIM Loss Control Manager
Sonya White, UACIM Administrative Assistant
Rich Stokluska, GRMS Account Executive
Doug Alexander, McLaren's Toplis Claims Manager

CALL to ORDER

Gary Herbert called the meeting to order and welcomed those in attendance.

REVIEW of BOARD MEMBERS ABSENT

Dan McConkie, Chad Johnson and Royal Norman requested to be excused from this meeting, they are attending the NACo Legislative Conference in Washington DC. Sarah Ann Skanchy made a motion to excuse these Board Members from this meeting. Kent Petersen seconded the motion, which passed unanimously.

APPROVAL of MINUTES

The minutes of the Board of Trustees meeting held January 22, 1999 and the minutes from the telephonic conferences held January 27 and February 8, 1999 were previously sent to the Board Members for review. Brett Rich requested that the language under *Action on Litigation Matters* from the February 8 minutes be corrected to read: *Tex Olsen made a motion authorizing Brett Rich to negotiate with Kathleen Brady, AIG Excess Casualty Claims Department, that in exchange for AIG rendering UAC Insurance Mutual control of litigation or settlement of claim number 801DAV947057 from this date forward, UAC Insurance Mutual will release AIG of responsibility for all amounts starting at \$150,000 down to \$125,000 plus expenses. If this proposal is not accepted then UAC Insurance Mutual proposes that AIG pay UAC Insurance Mutual \$100,000 (the amount at which AIG was willing to settle) and UAC Insurance Mutual will release AIG of all responsibility on claim number 801DAV947057.* Tex Olsen made a motion to approve the January 22 and 27 minutes as written and the February 8 minutes as corrected. Ed Phillips seconded the motion, which passed unanimously.

DECISION on CLAIMS AUDIT

Brett Rich reported that UACIM received 16 responses to the claims audit RFP. Brett extensively reviewed each proposal, contacted references and compiled a summary based on the pre-determined selection criteria for the Board (see attachment #1). The Board reviewed the summary and narrowed the qualifying companies down to four. Out of those four, the Board reviewed each proposal carefully. Sarah Ann Skanchy made a motion to award the Claims Audit contract to Ernst & Young if the estimated fee of \$9,985 is fixed for services rendered and expenses accrued. Tony Dearden seconded the motion, which passed unanimously. Kent Petersen made a motion giving Brett authority to negotiate up to \$10,985 with Ernst & Young for their claims audit fee. If negotiations are unsuccessful, the contract will be awarded to Northshore International Insurance Services. Ed Phillips seconded the motion, which passed unanimously.

APRIL MEMBERSHIP MEETING AGENDA

The Board discussed items to be addressed at the membership meeting scheduled for April 14, 1999, at the Eccles Conference Center in Logan. The Board will approve the agenda to be sent to the members at the next meeting.

POLICY on REPAYMENT of DEBENTURES

Brett Rich explained that the debentures specify that UAC Insurance Mutual cannot begin repayment until surplus reaches \$2.7 million, pursuant to the Annual Statement. Surplus on the 1997 Annual Statement was \$2,337,588. With the receipt of the actuarial opinion, the 1998 Annual Statement has been completed and surplus is at \$3,337,735. The Mutual is now in a position to go to the Insurance Commissioner for written approval to repay the debentures. The Commissioner will review the Annual Statement and the Risk Based Capital (RBC) calculation. Larson & Company is preparing a Risk Based Capital report showing the effect of the proposed payment on surplus and the authorized control level. Kent Petersen made a motion authorizing Brett Rich to make a formal request to the Insurance Commissioner for written approval to begin repayment of the debentures as follows: UAC Insurance Mutual will pay \$300,000, on the total debt, for the year 1999 (payment to each county pursuant to their percentage of the debentures). A formula based on 50% of the annual addition to surplus accrued beginning with year 1999 will be used to pay the remaining debt. Jerry Hess seconded the motion, which passed—Tex Olsen and Sarah Ann Skanchy opposed.

LOSS CONTROL MANAGER'S REPORT

Shawn Guzman reviewed his activities with the Board (see attachment #2).

The Personnel Workshop will be held May 12-13, 1999 in Iron County. The Personnel Committee has extended an invitation to the Board of Trustees to attend the workshop and participate in the discussions.

Shawn requested that the Board set the credit amount for the 1999 Premium Credit Program. Tony Dearden made a motion to set the maximum premium credit for compliance of the Risk Management Program at 3%. Kent Sundberg seconded the motion, which passed unanimously.

RISK MANAGEMENT PROGRAM REVISIONS

Shawn Guzman explained that he has made revisions to the Risk Management Program that Brett Rich is in the process of reviewing. The revisions will be presented to the Board at the next meeting for review and approval.

BROKER REPORT

Rich Stokluska reported that all changes made at the last meeting to the Reliance Certificate have been submitted to the company. The forms, both Reliance and Signet Star, are in the process of being issued.

The Board reviewed a copy of the Y2K Compliance Questionnaire compiled by Signet Star to be completed by each county in order for coverage to be provided for Y2K liability (see attachment #3). The Board made several changes to the questionnaire and directed Rich to confirm these changes with Signet Star so that UACIM staff may send the questionnaire to the members.

DIRECTOR'S REPORT

Brett Rich explained that the legislation exempting public agency insurance mutuals from Insurance Department regulation has been put on hold. Opposition from Workers Compensation Fund of Utah (WCF) has caused Senator Mansell to relinquish his support. WCF feels that if public entities are exempt from regulation, it will take away their marketing advantage. With the initial draft of the legislation, WCF and the Tax Commission were concerned that the intent of public entities was to become exempt from paying workers comp premium tax. Legislative research drafted an amendment clarifying that this was not the intent so Brett did not anticipate any further opposition. Brett met with Dennis Lloyd, WCF, and found that this issue will not easily be solved. He also met with the Deputy Insurance Commissioner who suggested that Brett draft a program what provisions the Mutual wants to be exempt from and he will work with the Mutual in scheduling a hearing.

At the last Board meeting, Brett explained that a letter would be sent to all members requesting a list of events, prior to year-end, that may result in a claim. This request was made to close a potential gap in coverage for public official's liability. After the letter was sent, Signet Star stated that they would cover any gap at no charge to the Mutual dependent on member response to the request. Three notices have been sent in this regard and nine counties have yet to respond. The responses must be sent to Great American and Signet Star today. Brett is not sure how Signet Star will handle coverage without full member response. He will negotiate coverage for those counties responding but could not guarantee coverage for those who have not responded.

SET DATE and TIME for CLOSED MEETING

Tony Dearden made a motion to set the date and time for a closed meeting to begin at 1:00 p.m. on February 26, 1999, to discuss pending or reasonably imminent litigation. Kent Petersen seconded the motion, which passed unanimously.

Sarah Ann Skanchy made a motion to conclude the closed meeting at 1:25 p.m. on February 26, 1999. Tony Dearden seconded the motion, which passed unanimously.

ACTION on LITIGATION MATTERS

Kent Sundberg made a motion authorizing settlement on claim number 801UTA998565 up to an amount of \$35,000. Kent Petersen seconded the motion, which passed unanimously.

SUMMARY of FINANCIAL STATEMENTS

Brett Rich distributed copies of the *Statement of Actuarial Opinion* to the Board (see attachment #4) and explained that the complete opinion will be received later. The opinion must be included with the filing of the Annual Yellow Blank to the Insurance Department. Brett reviewed the Yellow Blank with the Board that shows the addition of \$1,000,147 to surplus for the year 1998. The Yellow Blank confirms that the UAC Insurance Mutual is doing very well financially.

OTHER BUSINESS

Tony Dearden and Ed Phillips questioned whether a part-time nurse at the Millard County Jail is covered for medical malpractice by the Mutual. Brett Rich explained that the Mutual provides Nurses Professional coverage for those medical professionals that are not required to carry medical malpractice. The Mutual is not authorized to write medical malpractice insurance. Jerry Hess explained that by contract, Davis County has shifted the responsibility to provide medical malpractice to the Doctor/Nurse. He will send a copy of the contract to Tony and Ed for their review.

The next meeting of the Board of Trustees will be held on Thursday, March 25, 1999 at 9:30 a.m. at the UAC offices.

Approved on March 25, 1999

Dannie R. McConkie, UACIM Secretary-Treasurer
Davis County Commissioner

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UAC Insurance Mutual

Fax

To: Gary R. Herbert, Utah County Commissioner
Gerald E. Hess, Davis County Deputy Attorney
Dan McConkie, Davis County Commissioner
Tony J. Dearden, Millard County Commissioner
Chad W. Johnson, Beaver County Commissioner
Royal Norman, Box Elder County Commissioner
Kent Petersen, Emery County Commissioner
Ed Phillips, Millard County Sheriff
Tex Olsen, Sevier County Commissioner
Sarah Ann Skanchy, Cache County Council Member
Kent Sundberg, Utah County Deputy Attorney

From: Sonya White

Pages: 1

Date: February 19, 1999

Re: Scheduled Board Meeting

● **Comments:**

Please find the following agenda for the upcoming Board of Trustees meeting. Minutes will be mailed.

If you are unable to participate, sign below and fax back.

_____ will be unable to join the telephonic conference.
Name of Trustee

CLAIMS AUDIT RESPONSES

February 24, 1999

NAME: All American Adjusters, Inc.

ADDRESS: New York, New York

- A. Competency of personnel assigned to the audit. *Mark Komar, Casualty Claims Supervisor (New York), William Natole, Branch Manager (Houston), and Harold Siering, Casualty Claims Supervisor (New York), would be assigned to the audit. Two of these people are new to this company, but all have fairly significant claims experience.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *Not much information is provided.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *None identified.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *No problems indicated in this area, but again, not much information provided. They apparently have enough quality people to handle the audit.*
- F. Fees. *\$24,375*

Comments: The proposal is short, but professional. Independence is the main problem I see with this proposal. The company's primary business is working as a third party administrator/adjustor.

NAME: ARM Tech

ADDRESS: Lake Forest, CA

- A. Competency of personnel assigned to the audit. *Tim Farley, CPCU, will manage the audit. He has 15 years experience in claims and auditing and has conducted approximately 200 similar audits.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *The proposal contains an acknowledgment of our expectations and an affirmation that those expectations will be met. The company has 8 professionals employed.*

- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *Proposal cites over 200 similar audits conducted. Six of those are listed as references.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *Proposal contains a detailed audit plan that appears to go beyond the RFP in anticipation of the content and uses of the audit.*
- F. Fees. 2 options: 1- reviews 31 files for \$3,500; 2- reviews 49 files for \$5,500. *(They recommend option 2)*

Comments: The proposal was very professional, the experience with similar entities is significant, and the price is very reasonable; however they propose to review fewer claims than most, even with Option 2.

NAME: Cannon Cochran Management Services, Inc.

ADDRESS: Danville, Illinois

- A. Competency of personnel assigned to the audit. *Robert Cowgill, former Chairman of the Board, and William Bloch, Senior Risk Management Consultant would conduct the audit. Both individuals have extensive insurance claims experience.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *This is a large company with 14 locations and 300 professionals employed. Although they have a Las Vegas office, they propose to conduct the audit from Danville, IL because of the expertise of those people. I see no problem with the level of expertise.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *Two pools and one city are listed as references, but no information on how many audits have been conducted for pools.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *The company and these individuals clearly have enough expertise to guide the content of the audit to appropriate areas.*
- F. Fees. \$9,500 + expense

Comments: Cannon Cochran "... provides a full spectrum of innovative risk management services." This poses a potential conflict of interest. The proposal is very professional, but somewhat canned.

NAME: C.D.M.

ADDRESS: Herndon, Virginia

- A. Competency of personnel assigned to the audit. *Robert Savage and Jane Smith would conduct the audit. Both these people have 15+ years experience in insurance claims.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *The Proposal specifies 10 working days to complete the project, but a willingness to adjust that timetable according to the desires of the Mutual by providing more personnel. Mr. Savage and Ms. Smith both work primarily as audit team leaders and appear to be well qualified to conduct all aspects of a claims audit.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *No public mutuals/pools are mentioned in the proposal. Some governmental entities are listed in the references, but no indication whether those are single entities or pools.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *This proposal includes some ideas that others do not, such as contacting some claimants to discuss how claims were handled. CDM also proposes to audit more files (minimum 135) than other proposers do.*
- F. Fees. \$16,250

Comments: 1) CDM is a third party administrator, which may be a conflict of interest; and 2) the proposal was not as professional, or as well written as many of the others, my concern is that the final report would likely be of similar quality.

NAME: Chilton International Inc.

ADDRESS: Hazlet, NJ and Orlando, FL

- A. Competency of personnel assigned to the audit. *Frank Lobravico, Vice Pres. and Claims Manager, has 34 years insurance claims experience. Alan Meyer has 20 years experience. Both people claim extensive auditing experience.*

- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *This is an international company with the apparent resources to conduct a professional audit. The Company has audited some large insurers such as AIG.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *No specific pools mentioned in the proposal.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *The audit process is clearly outlined in a professional proposal. The proposal also mentioned reviewing procedures in light of the Governmental Immunity Act. §63-30-1 et. seq., showing that they put some time into research for this proposal and that they understand governmental issues to some extent.*
- F. Fees. \$20,000 (not to exceed)

Comments: Very impressive proposal.

NAME: Deloitte & Touche LLP

ADDRESS: Los Angeles, CA and San Francisco, CA

- A. Competency of personnel assigned to the audit. *Competency is very high.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *D & T is a very large company with a very good reputation. Quality resources and availability would not be problems.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *D&T has worked extensively for PRIMA as well as for other pools and insurance companies.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *The proposal very articulately describes the process proposed, areas of potential concern, standards and checklists.*
- F. Fees. \$33,580.00 (estimate)

Comments: Excellent proposal. Would certainly do a thorough, quality job.

NAME: Ernst & Young, LLP

ADDRESS: Chicago, Illinois

- A. Competency of personnel assigned to the audit. *Alan Turnipseed, J.D. would conduct the audit. He has 10 years consulting experience and also insurance defense litigation experience.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *Mr. Turnipseed clearly has the expertise for the audit and the importance of adhering to the timetable in the RFP is stressed. No other problems in this area.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *This individual has "... conducted multiple claims audits for both governmental entities and governmental risk pools within the past 12 months."*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *The experience of Ernst & Young would be valuable making appropriate suggestions for improvement and sharing ideas.*
- F. Fees. *\$9,985 (estimate, including all expense)*

Comments: This company is certainly reputable and the report would be very credible. The proposal and the qualifications of the individual are impressive. The main concern is the estimate in relation to the fees.

NAME: ~~Hugh Greene~~

ADDRESS: Mechanicsburg, PA

- A. Competency of personnel assigned to the audit. *Not much information.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *Sole proprietor, unknown resources.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *None specified.*

- E. Ability to anticipate client's needs and initiate discussions to address needs. *Identified one good point about analyzing ALAE in addition to other requirements.*
- F. Fees. *est. \$13,500 + expense*

Comments: This was a 1 1/2 page faxed response without much detail.

NAME: ~~Horizon Management Group, LLC~~

ADDRESS: Boston, MA

- A. Competency of personnel assigned to the audit. *Competency seems very high from the proposal. John Trayers has 30 years insurance experience in claims and management. Currently Vice President/Deputy Director of the Company. Elizabeth Sarno has 30+ years insurance experience.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *Proposal states that no problems are anticipated, but that if scheduling or other problems arise, the company has 20 other professionals from which it can draw.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *One pool audit conducted for "Excess and Casualty Reinsurance Association." Considerable experience with public entities.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *The company has provided a chart to categorize the areas to be addressed, etc. No specific concerns are raised in the proposal.*
- F. Fees. *No flat rate. I estimated \$6,600 from the information provided.*

Comments: This looks like a good proposal and a reasonable price (although the price would need to be firmed up). The one problem I see is that the company is an affiliate of Hartford Financial Services Group, which may affect independence.

NAME: ~~Insurance Management Solutions Group~~

ADDRESS: St. Petersburg, Florida

- A. Competency of personnel assigned to the audit. *IMSG designates 5 people who would participate in the audit, which they estimate to take 2-3 days. These people range from the Assistant Vice President, Claims*

Administration, to Assistant Vice President, Legal Division, to the Regional Claims Manager.

- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *IMSG indicates that all 5 individuals will be on site for the 2-3 days and that the audit will be conducted "... well within the required time frame." Expertise should not be a problem when considering the broad experience of the personnel.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *IMSG is a large, but relatively young company that employs over 900 insurance professionals. The company was formed by, and is a subsidiary of Bankers Insurance Group. Among the 3 references provided are two entities that appear to be pools or mutuals, but public entities are not stressed.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *IMSG has provided samples of checklists and other materials to show that they have a proven system of evaluating a claims department.*
- F. Fees. *\$18,125*

Comments: 1) Potential conflicts a) owned by an insurance company; and b) operates its own third party claims department.
2) Possibly not enough pool experience.

NAME: JAG Consulting, LLC

ADDRESS: Media, PA

- A. Competency of personnel assigned to the audit. *This is a small company, organized 1/1/99 by some individuals with broad insurance backgrounds. James Godorecci, President of the company, is a CPA with more than 20 years insurance experience. He and Bill Higgins would conduct the audit. Bill is a former Maryland State Insurance Director, who has held various other positions within the insurance industry.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *JAG is small, only 5 employees. The two persons named above do have experience and state that they are readily available to conduct the audit. The proposal anticipates 3 weeks to complete the audit, including 1 week on site.*

- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *Both individuals have conducted audits, mostly of insurance companies, but also of the Ohio Department of Insurance. The proposal contains little information about pooling experience.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *There is not much information from which to form an opinion. The individuals have the experience and some of the previous customers is impressive.*
- F. Fees. \$18,750

Comments: Concerns include that this is such a new company and are the resources sufficient to satisfactorily complete the work.

NAME: Northshore International Insurance Services, Inc.

ADDRESS: Salem, MA

- A. Competency of personnel assigned to the audit. *Roger Yablonski, Vice Pres. and Principal, Darrell Gwinn, Vice Pres., and Roger Doherty, Senior Consultant, have considerable insurance auditing experience. Mr. Doherty "has extensive experience in reviewing public entity pools."*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *The proposal indicates considerable resources and expertise and proposes to conduct the audit during the week of March 15.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *Considerable experience. Audits approx. 65 pools annually, including ULGT, NLC, County Reinsurance LTD., Texas Assn. of Counties and Workers Comp. Fund of Utah.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *Surprisingly high level of pooling expertise and experience in Utah indicates that this company understands how our claims should be handled and what problems we may have.*
- F. Fees. \$8450

Comments: Very good, if not the best proposal. This is the only proposal that documents the procedure for determining how many claims will be reviewed. They appear to have

assigned a team with particular expertise for an entity like ours. This is also the only proposal that contains a complete sample report. Everything seems very professional.

NAME: Ramos Risk Consulting Group

ADDRESS: Orlando, FL

- A. Competency of personnel assigned to the audit. *Luis Ramos appears to be the proprietor. He has 22 years of insurance and auditing experience.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *Resources are probably more limited than with others responding, but assuming he has time allotted, the expertise is probably sufficient.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *List The Vincam Group/Gallagher Bassett as a recently completed audit. No obvious pool or governmental experience.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *The proposal is simple but fairly complete. He proposes to review approx. 125 files.*
- F. Fees. *\$15,000*

Comments: Nothing really stands out in this proposal.

NAME: Frederick M. Simon

ADDRESS: Smithtown, N.Y.

- A. Competency of personnel assigned to the audit. *Mr. Simon has worked as an independent insurance consultant since 1996. Prior to that, he worked for St. Paul Reinsurance approx. 10 years.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *Although a sole proprietor, Mr. Simon says he "... would be able to put an audit team together ..."*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools.

Describes considerable audit experience, but none with public mutuals or pools.

- E. Ability to anticipate client's needs and initiate discussions to address needs. *Points out what he believes are some concerns from the data provided.*
- F. Fees. No flat rate provided. I estimate from his hourly rate and time estimations approx. \$60,000 + expense.

NAME: ~~Strategy & Risk Group (SRG)~~

ADDRESS: Sun City, AZ

- A. Competency of personnel assigned to the audit. *Ralph Korn appears very competent. Nancy Germond has less experience than Mr. Korn, but did work in claims for a California Joint Powers Authority.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *Mr. Korn showed considerable interest in the proposal and called our office numerous times for more information. the proposal states that one of the two persons named above will conduct the audit based on scheduling.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *Considerable experience with pools. The company has worked for Utah Risk Management, UTA, Arizona Counties Pool and other public entities.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *The proposal outlines the procedures quite well and gives the impression of understanding what we need.*
- F. Fees. \$7,500

Comments: This seems to be a very good proposal from a company familiar with pools and with Utah governmental entities. However, it would be nice to know for sure which person would conduct the audit.

NAME: Sutherland Page & Co.

ADDRESS: Rosemont, IL

- A. Competency of personnel assigned to the audit. *The three persons proposed all have significant experience.*
- B. Ability to provide responsive service in terms of personnel, location or technical expertise. *Ample resources are available.*
- C. Knowledge and experience in conducting claims audits for public agency insurance mutuals, insurance companies and/or insurance pools. *Claims audit experience is high, pool experience is lower and experience with insurance companies is very high.*
- E. Ability to anticipate client's needs and initiate discussions to address needs. *No problems anticipated.*
- F. Fees. \$37,250

Comments: 1) Subsidiary of Aon; 2) Third party administrators; 3) Part of this review will assess the upcoming Pyramid Information System, which is connected to Aon.

Utah Association of Counties Year 2000 Compliance Questionnaire

Insured: _____

Contact Person: _____ Phone #: _____

If crucial county operations fail or malfunction, there could be a threat to public safety or damage to property. Every county, regardless of size, needs to make addressing the year 2000 issue one of its highest priorities.

The majority of year 2000 problems stems from systems and equipment that were originally programmed to record and calculate the date as two digit numbers. The resulting problems for the year 2000 are that dates will be entered into a computer or interpreted by a computer as "00". Without proper instructions, the computer could interpret that date as "1900", which could cause problems ranging from total system and equipment failure, to malfunctions or minor nuisances.

The following types of equipment are vulnerable to year 2000 failures:

Firmware – equipment or systems that rely on embedded chips" to operate such as security systems, elevators, pagers, etc.

Hardware – machines such as personal computers and computer mainframe.

Software – applications on hardware such as operating systems, word processing systems, or spreadsheets (Windows, Microsoft Office, Lotus, etc.)

Contractual Services – services provided by outside entities whose compliance you are dependent upon.

Interfaces – electronic transfers of information between computer systems and other entities, or between individual pieces of equipment.

The two most common software packages are Microsoft NT and Novell. Certain versions these popular software packages are not year 2000 compliant. If you are using either of these two operating systems, you can contact the manufacturers directly (via phone, e-mail, internet, etc.) and they will be able to tell you immediately whether or not you're version is year 2000 compliant.

Please carefully answer the following questions. If you are unsure of any answers, please make a note at the bottom of page 3. After you have completed this questionnaire, please sign below indicating that you are authorized to complete this questionnaire and return to the sending party.

Signature: _____

Date: _____

Name (print): _____

Title: _____

Year 2000 Compliance Questionnaire

- 1) Have you taken a physical inventory of your computer resources during the past six (6) months?

- 2) Have you tested all of your computer hardware for year 2000 compliance?

- 3) Are you using Year 2000 compliant network servers and mainframe operating systems? Have you checked these to be sure the software is also year 2000 compliant?

- 4) Have you identified equipment with embedded chips such as pagers, building controls, traffic controls, and meters? These can be identified as equipment with displays, calendars, or those being capable of displaying a date.

- 5) A) Have you determined which of your operations can be interpreted through contractual services and asked for proof of their compliance?

B) Have you formulated a contingency plan so this will not affect your service? _____
- 6) Have you completed a comprehensive survey of all of the software programs being used by all agencies in your county?

- 7) A) Do you maintain duplicate records and backup computer records?

B) Are these records kept off-site? _____

Has Year 2000 compliance been certified for the following?

Please circle one:

Office systems, incl. telephones, faxes, copiers, computers, etc.....	YES	NO	N/A
Emergency response phone dispatch system (fire, police, medical, etc.)	YES	NO	N/A
Two-way radio systems/ Wireless communications	YES	NO	N/A
EMT medical equipment/Emergency equipment	YES	NO	N/A
Traffic lights, street lights, and signaling systems ...	YES	NO	N/A
Time dependent controls (lighting, air conditioning, heating, etc.)	YES	NO	N/A
Security systems/Fire alarms and control systems ..	YES	NO	N/A
Sprinkler Systems	YES	NO	N/A
Backup power systems	YES	NO	N/A
Utilities (electric, power, water, gas, etc.)	YES	NO	N/A
Waste management systems/ Pump control systems	YES	NO	N/A
Elevators	YES	NO	N/A
Criminal record systems	YES	NO	N/A
Payroll/Tax collections/Financial accounting	YES	NO	N/A

Please explain all "NO" or N/A responses below.

FEBRUARY 26, 1999

1. **DEFENSIVE DRIVING COURSE.** THE DDC KIT HAS BEEN ORDERED FROM THE NATIONAL SAFETY COUNCIL IN CHICAGO. APPARENTLY THERE IS A BACKLOG ON THE KITS, BUT WE EXPECT TO RECEIVE IT WITHIN THE NEXT TWO WEEKS.
 - KANE COUNTY WILL HOST THE FIRST DDC.
 - THE COST WILL BE \$3.50 PER PERSON (THE COST OF THE BOOKLET).
 - EACH PARTICIPANT WHO COMPLETES THE COURSE WILL RECEIVE A POINT REDUCTION ON THEIR DRIVING RECORD.
 - THE COURSE WILL BE FOUR HOURS (INCLUDING TWO FIFTEEN MINUTE BREAKS).
 - THE NEW PREMIUM CREDIT PROGRAM WILL GIVE CREDIT FOR THOSE COUNTIES THAT HOST THE COURSE IN 1999.
2. **COACHING THE MAINTENANCE VEHICLE OPERATOR COURSE.** THIS COURSE IS DESIGNED AS A DDC FOR DRIVERS OF HEAVY VEHICLES. DOYT BOLLING FROM T2 HAS AGREED TO TEACH THE COURSE. THE COST WILL BE DECIDED AFTER WE DETERMINE THE NUMBER OF COUNTIES WHO WILL PARTICIPATE.
3. **UDOT SAFETY TRAINING.** UDOT HAS AGREED TO CONDUCT SAFETY TRAINING FOR OUR COUNTY ROAD DEPARTMENTS. THE TRAINING WILL FOCUS ON:
 - PRE-TRIP INSPECTIONS
 - PROPER DOCUMENTATION
 - MAKING MINOR ADJUSTMENTS TO THE VEHICLE
 - PRIORITIZING REPAIRS (MECHANICS)

THIS TRAINING WILL CONSIST OF BOTH CLASSROOM TRAINING AND HANDS-ON TRAINING. THE TRAINING WILL TAKE ABOUT 4 HOURS.

BECAUSE OF LIMITATIONS ON UDOT PERSONNEL, IT WILL TAKE ABOUT 24 MONTHS TO TRAIN ALL OF OUR COUNTIES.

4. **PERSONNEL COMMITTEE/ 1999 WORKSHOP:** THE PERSONNEL COMMITTEE SOLICITED SUGGESTIONS FOR WORKSHOP TOPICS FROM ALL UACIM PERSONNEL DIRECTORS. THE COMMITTEE ALSO ASKED FOR INPUT FROM UACIM BOARD MEMBERS. THIS YEAR'S TOPICS WILL BE:

- LEGISLATIVE UPDATE
- VIOLENCE IN THE WORKPLACE
- RELATIONSHIPS BETWEEN THE COUNTY AND EMPLOYEES OF SPECIAL SERVICE DISTRICTS OR OTHER BOARDS
- RECRUITMENT AND HIRING

THE WORKSHOP WILL BE HELD MAY 12-13 IN CEDAR CITY. THE 12TH WILL BE AN EVENING SESSION OPEN BOARD MEETING TO ADDRESS QUESTIONS AND CONCERNS FROM THE COUNTIES AND TO EXPLAIN THE ROLE OF THE UACIM PERSONNEL COMMITTEE.

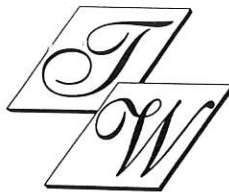
5. **DRI CIVIL RIGHTS SEMINAR.** THE SEMINAR WAS EXCELLENT. AMONG THE TOPICS WERE EXCELLENT PRESENTATIONS ON:

- WRONGFUL TERMINATION
- SEXUAL HARASSMENT
- RULE 68 OFFERS OF JUDGEMENT
- SUPREME COURT UPDATE ON CASES AFFECTING GOVERNMENTAL ENTITIES

6. **PREMIUM CREDIT PROGRAM FOR 1999.** UACIM BOARD NEEDS TO APPROVE A PREMIUM CREDIT AMOUNT. IN THE PAST, THE CREDIT HAS BEEN 3% OF TOTAL PREMIUM. THE FOLLOWING COUNTIES RECEIVED A PREMIUM CREDIT FOR 1998:

- DAVIS 6383
- IRON 3052
- JUAB 917
- MILLARD 2037
- SAN JUAN 2965
- UINTAH 3741

•	UTAH	8454
•	WASH	3095
	TOTAL	30644



Taylor-Walker & Associates, Inc.
Actuarial Consulting Group

STATEMENT OF ACTUARIAL OPINION - Page 1 of 4
UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL

IDENTIFICATION

I, R. Glenn Taylor, President, am associated with the firm of Taylor-Walker and Associates, Inc. I am a Member of the American Academy of Actuaries and meet its qualification standards. I am an Associate of the Casualty Actuarial Society. I was appointed by the Company's Board of Directors on December 11, 1997 to render this opinion.

SCOPE

I have examined the reserves listed below, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 1998.

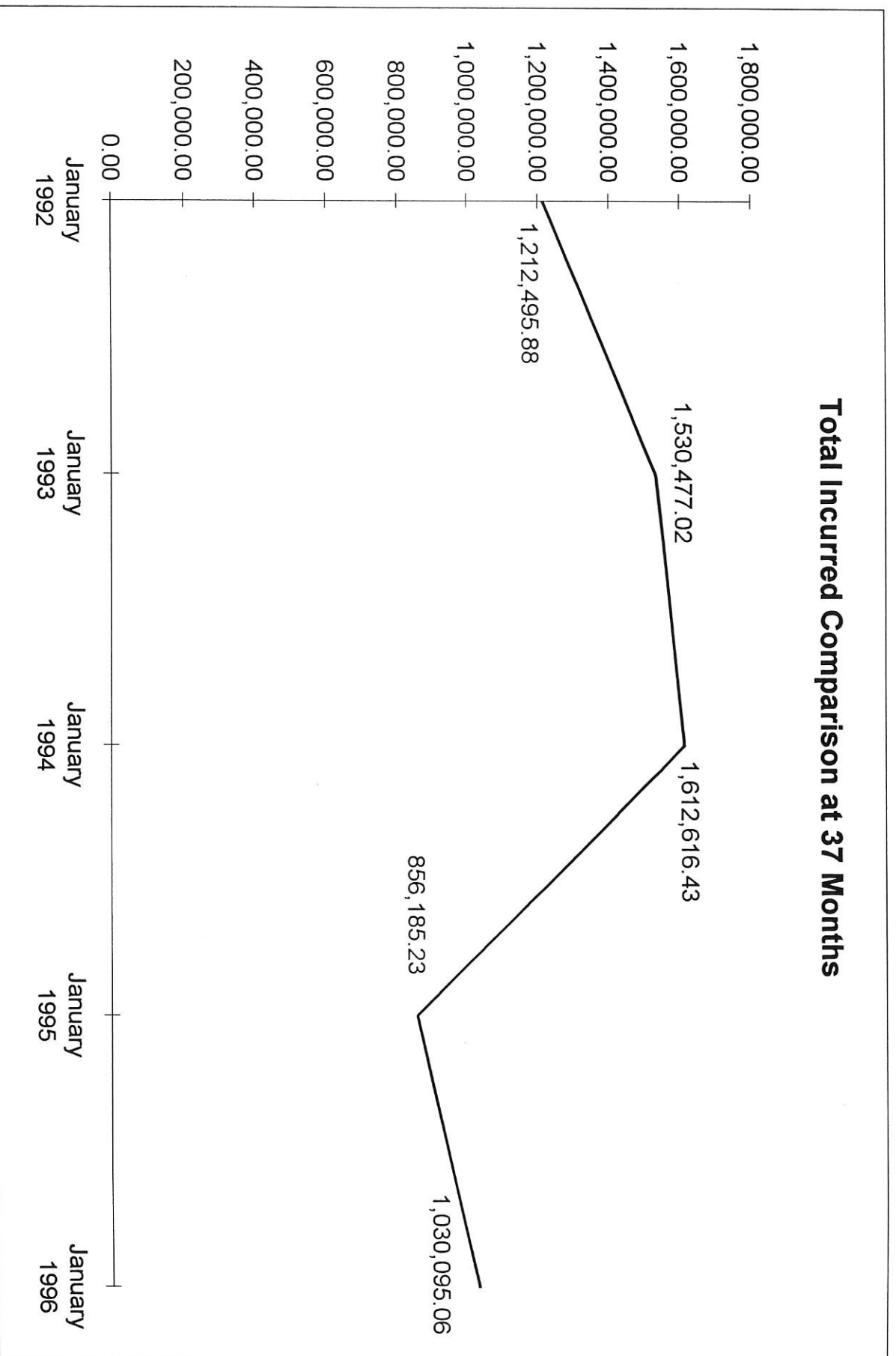
A. Reserve for Unpaid Losses (Page 3, Item 1);	\$ 1,942,067
B. Reserve for Unpaid Loss Adjustment Expenses (Page 3, Item 2);	\$ 1,431,101
C. Reserve for Unpaid Losses Direct and Assumed (Schedule P, Part 1, Totals from Cols. 14 and 16);	\$ 1,942,000
D. Reserve for Unpaid Loss Adjustment Expenses - Direct and Assumed (Schedule P, Part 1, Totals from Cols. 18, 20, and 22).	\$ 1,431,000

These reserves reflect the following items:

- A. The anticipated salvage and subrogation included as a reduction to loss reserves as reported in Schedule P - Analysis of Losses and Loss Expenses, Underwriting and Investment Exhibit - Part 3A, and on Page 3 - Liabilities, Surplus and Other Funds, Line 1 is \$ 0.
- B. The discount for time value of money included as a reduction to loss reserves and loss expense reserves as reported in Schedule P - Analysis of Losses and

UAC Insurance Mutual

Total Incurred Comparison at 37 Months



UAC Insurance Mutual

Total Incurred Comparison at 50 Months

